

Corporate Responsibility Report 2006



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Cover photographs from left to right.

1. North Hoyle off-shore wind farm insured by R&SA.

2. R&SA volunteers working with Trees for Cities in London.

3. Swedish children with R&SA road safety clothing.

4. Buncefield depot explosion from the R&SA incident centre.

5. R&SA solar lighting carbon offsetting project in India.

Our Approach to Corporate Responsibility

Corporate Responsibility ('CR') is the process by which a company integrates environmental and social concerns into its operations and interactions with stakeholders.

Our approach to CR is about good business practice and is embedded and defined in our Business Principles, which guide our behaviours and are a fundamental part of ensuring we have the right controls, procedures and accountability in place across all of our operations.

These Principles are underpinned by specific commitments that relate to our key stakeholder groups: customers, employees, business partners, regulators, shareholders and in particular the community and the environment.

Full details of our Business Principles can found at www.royalsunalliance.com.

Our Principles influence the core business behaviour in every employee's job description and goals against which they are assessed. Specific CR objectives feature in each of the Group Executive and Executive Board members' goals.

Responsibility for CR

Overall responsibility for CR at Royal & Sun Alliance (R&SA) is with the Group CEO, as the main Board representative. The day to day implementation of our CR programmes is managed by CR professionals in our External Communications Departments. We also have CR Committees that operate at the regional level to determine local priorities. This approach ensures that we have a high standard of representation throughout our businesses and that CR is embedded at a local level.

CR and community initiatives are promoted across the Group through internal publications, intranets and visual media. In 2007, we intend to include CR as part of our new employee induction process.

Targets and reporting

Targets and objectives for the year are signed off by the regional CEOs and reported externally either on the corporate website or in the annual Corporate Responsibility Report. Ongoing internal monitoring is carried out with particular reference to environmental and community targets.

We place importance on reporting externally in ratings indices such as Business in the Community, Vigeo, FTSE4good and DJSI, to assess our strategy and management of CR.

Material issues

Along with ongoing stakeholder feedback from Socially Responsible Investment (SRI) company engagement visits, employees, shareholders, customers and NGOs, we engage with our partner, Forum for the Future, to provide an annual external review of material issues to both R&SA and the insurance sector as a whole.

About this report

This report describes the key achievements and performance of R&SA's environmental and social interactions and impacts in 2006. It covers the reporting period from 1st January 2006 to 31st December 2006 unless otherwise specified.

The report is aimed at providing all interested stakeholders with an open and transparent account of the Group's environmental and social performance.

For further information or to submit feedback, visit our website at: www.royalsunalliance.com.

Our Business Principles

Integrity:

We will act with openness, fairness, integrity, and diligence. We will always adhere to the applicable laws, regulations and standards in the places that we do business.

Performance:

We will promote a positive and challenging high performance culture. We will do this by encouraging personal accountability and personal development and measuring, rewarding and recognising success.

Responsibility:

We will act responsibly as individuals and as a company. This applies to the management of our business, our approach to corporate risk and our interaction with key external stakeholders.

Group CEO's review

Andy Haste

Andy Haste Group CEO



Climate change and global warming have risen to the top of the public agenda in 2006. For insurers, these are not new issues and at R&SA they have been on our agenda for some time. We have established a leading position in tackling emerging social and environmental issues, and during the year we made good progress against our objectives.

We are taking action by improving our impacts as a business and through product development, giving customers the choice of affordable and innovative insurance products, which also have social or environmental benefits.

A year of strong performance

It has been an important year for the Group during which we continued to deliver on our strategic and financial objectives.

We have a portfolio of businesses with a good geographic spread and strong market positions. Across the Group, we're focused on profitable growth and operational excellence in our underwriting, claims and expense management. The benefits of this work are clearly evident in our financial performance, and in 2006, we've delivered another strong result.

Further details on our financial performance for 2006 can be found in our Annual Report & Accounts.

Corporate Responsibility

2006 has also seen a real focus on our agenda to deliver on our stakeholder commitments. I set out three key objectives this time last year relating to R&SA as a workplace, our environmental management, and our regional community engagement programmes. The progress we've made is covered in detail in the Marketplace, Workplace, Community and Environment sections of this report.

Marketplace

In 2006, we introduced more innovative products to help our customers reduce the risks they face while responding to consumer demand to provide insurance solutions that also benefit society and the environment.

Social exclusion is an issue across many of the regions where we operate. In India through our Basix initiative we are active in providing insurance for rural groups living below the poverty line. In the UK, we are a leading provider of insurance for social housing schemes. This year, Bridget McIntyre, our UK CEO, took up a post on the Government's Social Inclusion Taskforce and we have continued to lobby for greater priority on this issue.

In the UK and Ireland, we were the first insurer to offer discounts to drivers of hybrid and fuel efficient cars, encouraging customers to reduce their environmental impact.

For our commercial customers, since the year-end, we've launched a Global Renewable Energy business to support the growth of the alternative energy industry. Through our Scandinavian and Canadian businesses, we are already market leaders in commercial wind energy insurance. Our new global business aims to capitalise on this existing expertise to offer global solutions for the renewable energy market.

Workplace

We are focused on developing our employees and over the last few years we have been building a high performance culture across the business to attract, develop and retain top talent. During the year:

- We launched our Technical Academy to foster the next generation of talent and capitalise on our market leading underwriting, actuarial and claims skills;
- We met our target of linking 90% of employees pay to their performance, reflecting our focus on making people accountable for their actions and that we recognise and reward superior performance; and
- Reflecting our culture of being a company that listens to its employees and takes action on their feedback, we have again improved the overall employee satisfaction rating measured by our annual Global Employee Survey.

Community

Our community engagement programme is built around promoting common themes that are relevant to our business and include road safety, social exclusion and the environment, but with regional implementation and the flexibility to focus on the issues that matter locally.

In practice this means employees at all levels actively involved in community projects, making a real contribution whether it be landscaping at a local hospital or helping the homeless.

As a leading motor insurer, we are committed to improving road safety awareness and we have campaigns running in each of our regions. For example:

- In Chile, where traffic is the number one killer of children, we launched a successful national education campaign which has already reached 15,000 children and is expected to benefit a further 45,000 in 2007; and
- In Sweden, we provided nearly 50,000 reflectors and 250,000 high visibility vests to children to make them as visible as possible to motorists.

Environment

We are actively reducing our environmental impact and have been publicly reporting on this since 1999. As part of this programme, we have in place a long term strategy across the Group to promote energy efficiency and monitor and report our environmental impacts including waste, energy and water consumption, and employee travel. We have halved our carbon emissions in the UK since 2000 and, in 2006, we were the first insurer to go Carbon Neutral in the UK. For the Group, we have set new challenging targets to achieve by the end of 2007.

Alongside our products with environmental benefits, we are working with charities on a wide range of environmental projects across the Group. We have continued to lobby in the UK for increased Government spending on flood defences and we have made further investments in our technology, such as our storm prediction and flood risk tools.

Looking forward

Over the past four years, we've built a track record of delivering on our commitments and we take this same level of energy, drive and ambition into the next phase of the company's development. Our overriding commitment is to sustainable profitable performance and we are confident that in 2007 we will again deliver a strong financial result.

Going forward we see our CR programme as intrinsic to the future success of the business, and our priorities for 2007 are:

- Building on our environmental management practices by extending and enhancing our reporting systems and analysis to ensure we deliver our targets;
- Continuing to develop and expand our product ranges with environmental and social benefits;
- Enhancing our employee engagement programmes and improving training and development across the Group; and
- Strengthening our regional community engagement programmes, building on feedback from projects, to help us engage more effectively with local communities.

We have made good progress in embedding CR programmes throughout the organisation, and I look forward to updating you next year on further initiatives and improvements.

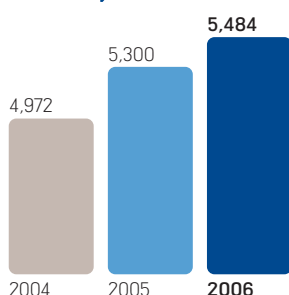
About Us

Royal & SunAlliance ('R&SA') is the world's oldest insurance company still trading under its original name. We operate in 27 countries and are able to provide insurance products and services in over 130 countries.

Our portfolio of businesses is diverse and provides exposure to markets at different stages of development and at different points in the insurance cycle. In 2006, 48% of our premiums were from our UK business, 43% from our International division and 9% from Emerging Markets.

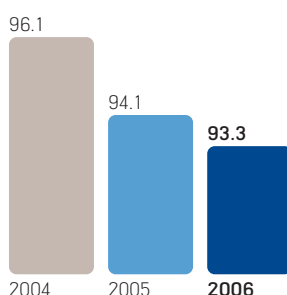
Net written premiums

£5,484m



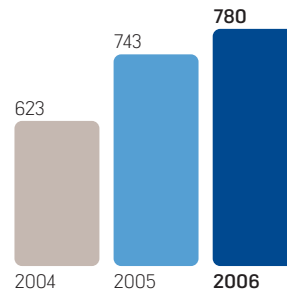
Combined operating ratio

93.3%



Operating result

£780m



Results

	2006	2005
Operating result	£780m	£743m
Profit before disposals and pension scheme change	£650m	£588m
Profit after tax from continuing operations	£479m	£635m
(Loss)/profit after tax	£(20m) ^{1*}	£605m ^{2*}

Balance sheet at 31 December

Total capital	£4,084m	£4,229m
Shareholders' funds	£2,561m	£2,686m
Net asset value per share	82p	88p
Underlying return on equity	20.7%	21.6%

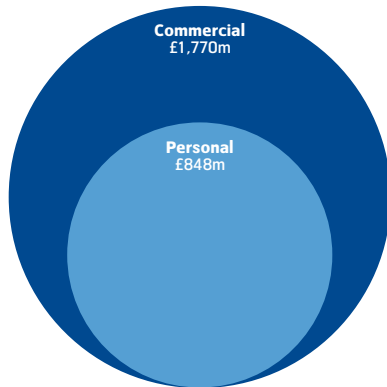
Combined operating ratio (COR): The ratio of claim costs and expenses (including commission) to premiums.

^{1*} 2006 loss after tax movement reflects the writedown of the US operation.

^{2*} 2005 profit after tax reflects one off benefits of a number of disposals and the impact of the change in the UK pensions scheme design.

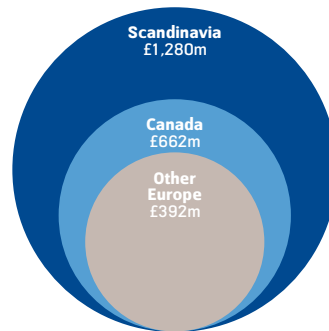
UK

Net written premiums £2,618m



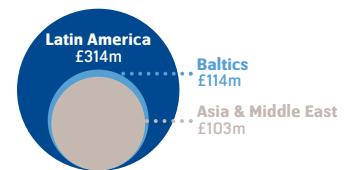
International

Net written premiums £2,334m



Emerging Markets

Net written premiums £531m



UK

We are the UK's largest commercial insurer. The business has a strong reputation for technical excellence; it insures 70% of FTSE 100 retailers and is one of the leading carriers of Professional & Financial, and Marine risks outside of Lloyd's of London.

Our personal business is ranked third largest with around 4 million covers in place. UK personal primarily provides household, motor and travel insurance through MORE TH>N, our direct business. In our Affinity business, we provide retail customers with a wide range of products in conjunction with our corporate partners.

International

International comprises our businesses in Canada, Ireland, Italy and Scandinavia (Sweden, Denmark, Finland and Norway).

In Denmark and Sweden, our businesses are ranked third largest. In Ireland, we are the leading provider of household insurance. Our Canadian operation includes, Johnson Corporation, our direct business, as well as Personal Intermediated and Commercial. Our Italian business distributes the majority of its products through non-tied agents mainly in Northern Italy.

Emerging Markets

Emerging markets is our fastest growing region and consists of our operations in Latin America, the Baltics, and Asia and the Middle East. Latin America accounted for 59% of net written premiums from the region in 2006, and our largest operations are based in Chile, Brazil and Mexico. We are located in 10 countries across Asia and the Middle East, including India and China. In the Baltics, we're the number one insurer through our businesses in Latvia and Lithuania.

Acquisitions

We have continued to supplement our organic growth with selective acquisitions. In 2006, we made acquisitions in Ireland, the UK, Norway and Canada. The acquisitions along with the distribution deals that we announced during the year are expected to contribute premiums of over £400 million when at a full run rate.

Engaging with our stakeholders

How we interact with our key stakeholder groups, sits at the heart of our CR strategy. We recognise that engaging with all of our main stakeholders is integral to informing our decision making process and to gaining vital feedback. It is also essential for our reporting framework, to ensure we can continually monitor and improve our performance.

STAKEHOLDERS	OUR COMMITMENT	EXAMPLES OF DIALOGUE
Customers:	A satisfied and loyal customer base is core to our business.	We have over 20 million customers around the world, who we engage with through a variety of channels: <ul style="list-style-type: none"> - Customer surveys - One-to-one communication - Focus groups
Employees:	Motivated and skilled employees are critical to our success.	We listen to and engage with our 23,000 employees through: <ul style="list-style-type: none"> - Employee surveys - Consultative forums - Internal conferences - Online forums
Business Partners:	We demand high standards from the companies we work with and believe that they should expect the same from us.	We have ongoing dialogue with our business partners and are working together through: <ul style="list-style-type: none"> - Tender processes - Relationship management - Satisfaction surveys
Regulators:	We have an open, cooperative and transparent relationship with our regulators.	We are committed to constructive ongoing dialogue with all regulatory bodies wherever we operate. In addition, we actively engage with government on the issues that matter most to our customers, such as flooding and road safety.
Shareholders:	We are committed to fulfilling the aspirations of our shareholders through a commitment to business performance, and high standards of transparency, communication and corporate governance.	We actively engage with shareholders, analysts and potential investors through: <ul style="list-style-type: none"> - An active schedule of investor meetings - Web based communications including webcasts - The Annual General Meeting
Community & Environment:	We believe in continuous improvement of our environmental performance and positive engagement with the communities in which we operate.	We engage with a variety of external partners to assess our impact on the environment and communities, including: <ul style="list-style-type: none"> - External community engagement review - External material CR issues review - Participation in CR benchmarking and indices including BiTC, FTSE4Good, Storebrand and Vigeo

External Relationships

We continue to engage with a range of external ratings agencies and partners to assess our CR performance. Participation demonstrates our commitment to improving as a responsible organisation and becoming a great place to work. It also provides a framework for open and transparent reporting on performance and serves as a benchmark against peers and competitors.



Our performance is monitored externally through our inclusion in the FTSE4Good Index Series, Vigeo Group and Business in the Community (BiTC).

We participate in the BiTC Corporate Responsibility Index. This year, BiTC introduced a new Community Index which forms part of their "Top 100 Companies that Count", in this first Community Index, we achieved a rating of 87.7% (silver). In the overall index, we improved our performance from 76.5% (bronze) to 89% (silver) and were one of the few companies to increase our score by more than 10%.

We continue to be rated as "Best in Class" for environmental and social performance by Storebrand. This rating is based on analysis of 70 insurance companies listed in the Morgan Stanley Capital International World Index. R&SA was ranked within the top 30% of all companies in Storebrand's survey, earning us "Best in Class" qualification.

In 2006, we were again recognised as an "ethical choice" company in the fifth edition of the Good Shopping Guide which aims to help consumers make informed decisions about ethical purchasing. Research for the guide is carried out by the Ethical Consumer Research Association (ECRA) and ratings are obtained for each company over fifteen specific criteria relating to environment, animals, people and aspects such as political donations and codes of conduct.

Forum for the Future

Forum for the Future is the UK's leading sustainable development charity, working to build a sustainable way of life. They work with more than 150 partners including companies, local authorities and universities, to help them overcome barriers to more sustainable practice.

Our partnership with them is in its 8th year. Working alongside the Forum is a two-way process where we engage in 'challenge

partnerships', with a relationship that is built on the Forum being a critical friend to the Group. Additionally, R&SA is a part of the Forum's scholarship masters programme. As part of the course, students undergo one-month placements in different sectors.

External Review by Forum for the Future:

"The sustainable business agenda has witnessed a step change since R&SA and Forum for the Future first started working as partners in 1999. The focus has increasingly moved to core business as the implications of environmental and social issues for business success become clearer. We are encouraged that R&SA is starting to increase attention on the integration of sustainability into the product portfolio, introducing specialised offerings for both its personal and commercial lines. There is much more room for innovation across the insurance sector. We feel that R&SA is well-placed to deliver and look forward to working together to further embed such issues across its product range.

The Group has also announced a range of environmental targets for 2008. We support this important measure to commit to measurable goals and urge R&SA to aim towards increasingly stretching targets in the future."

The Forum for the Future's mission is to show that a sustainable future is both possible and desirable. It is a Registered Charity in the UK. The Forum is not an auditor or a verifier. As such these comments should not be read as verification of data or information contained within the report.

As one of the Forum's Corporate Partners, R&SA makes a direct financial contribution which represents less than 0.25% of the Forum's turnover.

Marketplace

We operate in 27 countries and provide insurance products and services in over 130 countries. As one of the world's leading insurance groups, we help millions of customers manage their risks and protect against life's uncertainties.

While financial indicators focus primarily on profitability, this section considers our financial performance in a broader context, in terms of the various stakeholders with whom we have direct and indirect economic interactions. It covers:

- Product innovation;
- How we treat customers;
- Our approach to investments and supply chain; and
- Our financial performance from a sustainability perspective.

Customers

Worldwide, we have some 20 million customers. Our customer base is varied, including individuals and companies of all sizes. We are committed to managing these relationships through the entire customer cycle, from a new business enquiry, through to renewal, including claims as and when they occur.

Products and initiatives with CR benefits

Our customers are more environmentally and socially aware than ever before. During 2006, we have increased our products that have an additional CR benefit in both commercial and personal lines.

• Eco-Cars

During 2006, in the UK and Ireland, we were the first insurer to offer premium discounts for Eco-Cars. Hybrid car (which use both a petrol and electric motor) drivers benefit from reduced premiums, designed specifically to reward environmentally-friendly driving.

• Renewable Energy

We are a world leader in renewable energy insurance and the largest insurer of wind energy projects in Scandinavia. Our Canadian wind energy insurance, ClearSky, launched in 2006 and has already captured over 20% of the market. R&SA is one of the few providers of both off-shore and on-shore wind energy insurance. After the year-end, we launched a Global Renewable Energy business, to support the growth of the alternative energy industry, leveraging our 25 years of local market experience to provide one-stop insurance solutions for this increasingly international industry.

• Energy Audits

In 2006, R&SA Engineering launched an energy audit service for its commercial property clients in the UK. The service provides a detailed audit including lighting, heating and ventilation, benchmarking them against best practice. The audit also quantifies the resulting savings in CO₂ emissions from the recommended actions, and projects future cost savings.



Renewable Energy Insurance

We insure North Hoyle, the UK's first major off-shore wind farm that generates enough power for 40,000 homes. We are one of the only insurers to offer off-shore as well as on-shore insurance for wind energy products.

• DriveTime

Research conducted in the UK by MORE TH>N, showed that most deaths and accidents in the 17 to 25 age bracket occur between 11 pm and 6am. Our DriveTime product offers a 40% reduction in premium to young drivers who do not use their cars during these hours. A satellite tracking box is fitted to the car which monitors the hours they drive and a flat fee charged if the car is used between 11 pm and 6am.

• Motability

Motability is a national charity, set up on the initiative of the UK Government to assist disabled people with mobility needs. The scheme enables disabled people to obtain a car, powered wheelchair or scooter by using their Government allowances. We are Motability's insurance partner for vehicles, and in 2006, we were awarded Motability's Scheme Partner of the Year.

• Social Housing Insurance

R&SA is one of the largest providers for low cost weekly insurance and with-rent insurance schemes for social housing tenants in the UK. Exclusion from insurance is a serious problem and research conducted last year by R&SA in association with Toynbee Hall showed that over 3 million UK households in social housing were living without protection for their possessions.

We have designed products that enable people with low income to have access to affordable household insurance whilst making payment more manageable.

• Rural Insurance in India

In India, in association with Basix, our NGO partner, we provide insurance for rural groups living below the poverty line. We have extended this relationship in 2006 to offer tailored products to non-farm enterprises and women's groups.

• PetGuard in Hong Kong

R&SA Hong Kong launched PetGuard in 2006. It provides comprehensive protection for veterinary fees, boarding fees and death benefits. The insurance is offered in partnership with the Society for the Prevention of Cruelty to Animals and HK\$100 is donated by R&SA for every policy taken out.

Using technology to improve risk management

We use technology in a variety of ways to help the customer. Assessing and predicting risk ensures customers have the right cover and are better able to take preventative action.

For example:

- Our Geographical Risk tool provides an assessment of the risk of flooding, subsidence and arson down to an individual postcode in the UK;
- Our European weather forecasting tool, Eurotempest, can provide email alerts up to five days in advance of severe storms; and
- MORE TH>N and R&SA Canada post guidance and warnings on-line to alert customers to extreme weather conditions.

Customer Service

We are focused on communicating openly with customers to provide high standards of service, whether it is a new business enquiry, renewal, claim or complaint. We aim for consistency whether insuring a shipment of cargo, a wind farm or a new car.

• Policy Literature

Open and clear communication is key to ensuring each customer obtains the right product to suit their requirements. We aim for high levels of clarity and transparency in both our web-based and printed policy documentation. During 2006, we completed a full review of our UK policy documentation to improve clarity where needed.

• Personal Customer Managers

In Canada, Johnson, our direct personal lines business, has pioneered a Personal Customer Manager ('PCM') system. A customer is able to e-mail or phone their PCM with a reply guaranteed within 24 hours. It has been extremely successful with over 90% of customers confirming that they would renew their policy simply based on the quality of the customer service they received.

We are now rolling out a similar scheme in our UK business, with all existing and new MORE TH>N customers having the option of a dedicated PCM.

• Staff Training & Development

We devote considerable resources to training our customer service teams and assessing them on the quality of service they provide. Training is an ongoing process for all employees and it is actively encouraged at every level through a wide range of internal programmes. (See Workplace section).

• Operational Improvement

Across the Group, we continually look to improve our operations to better service our customers. For example:

- We carry out Customer Management assessments (CMAT) to benchmark operations against 260 best practices related to customer management delivery; and
- We have begun to rollout Net Promoter Score (Net Promoter® is a registered trademark of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.) across the Group, which will allow us to understand how well we are serving customers at important touch points and drive improvements in our customer experience.

• Call Monitoring

Our call monitoring quality assurance standards help to ensure strong compliance with both internal and regulatory requirements.

• Protecting Customers

We take the need to protect customers from financial crime seriously. Throughout the Group we have systems in place to combat insurance fraud. We use internal and external IT tools to identify policyholder fraud, including persistent insurance fraudsters.

• Complaints Procedures

Across the Group, we take complaints very seriously. In the UK, we have again participated in the annual benchmarking survey on complaints handling by the Association of British Insurers. In 2006, our performance was assessed as upper quartile across all categories.

Claims Management

We are committed to providing a quality claims service wherever we operate. We have invested in a Group-wide Technical Academy to develop our expertise and share best practice across the regions.

A fundamental aspect of our service is our ability to react promptly to incidents and support our customers when events occur. For example:

- 2006 saw the worst deluge ever experienced in Surat, India, leaving thousands of homes and vehicles flooded. Over 1,200 were insured by Royal Sundaram and with more than 80% of Surat underwater and the telecommunications network disrupted, the team used advice pamphlets to reach customers. Teams of specialists consulted with surveyors, local dealers and repair workshops to arrange movement of the stranded vehicles, manage work schedules and outsource the repairs. Jeff Kehoe, Regional Director – Customer & Communication Asia & Middle East says “The Indian business was well prepared for the flood, they were the first people on the site, quickest conducting surveys and were the only insurer to call vehicles back after three months for safety checks.”
- An oil depot in Buncefield exploded in December 2005. The depot was a major supply station with twenty petrol tanks containing 3 million gallons of fuel each. R&SA call centre

employees joined Loss Adjustor Services to set up a highly visible Emergency Incident Centre in the area and proactively contacted all 232 policyholders to find out if they were unharmed or had suffered any damage. Customers were delighted with the level of customer service. Paul Emptage, LAS Operations Leader, said: “This is a fantastic example of how insurance companies can help support customers during times of crisis. The calls we made, combined with the incident unit presence, received a huge amount of positive comment from all policyholders and locals in the town.”

Our investments

The majority of our UK investments are managed by F&C Asset Management. F&C applies a responsible engagement overlay to R&SA funds. F&C has the largest Governance & Socially Responsible Investment team in Europe, enabling it to follow a policy of active engagement across its portfolios on environmental, social and governance (ESG) issues.

Last year, F&C engaged with 640 companies on a wide range of issues ranging from climate change to labour standards.

R&SA meet with F&C on a quarterly basis to discuss progress, engagement activities and to discuss emerging CR issues relating to the financial services sector.

Vicki Bakhshi, Associate Director in F&C’s Governance and Sustainable Investment team, says “R&SA has a strong and long-standing commitment to the responsible ownership of its assets. As a client, R&SA takes a close interest in F&C’s engagement activities, and we have regular discussions about which companies we have engaged and the results of our efforts. Over the past year, R&SA has been particularly active in considering the impacts of climate change – both for its own business, and for the companies it is investing in. F&C finds R&SA’s forward-thinking approach to this issue very instructive, and our dialogue in this area has helped shape our own understanding of how climate change could impact major insurers in the future.”



In response to the Buncefield oil depot explosion, we were part of the on-site Emergency Incident Centre with a physical presence in the area, to contact all our policyholders.

Our supply chain

Through our supply chain by choosing suppliers and influencing them we have the ability to support companies and products which benefit the environment or society.

- In 2006, our catering contract for the UK was awarded to Baxter Storey. Not only was the company able to demonstrate a strong ability to deliver on cost and quality, a deciding factor was that the company was also carbon neutral; and
- In Sweden, we continue to use Samhall as our print management services supplier. Samhall is a government supported organisation employing a percentage of disabled people who have been unable to find work elsewhere.

Transparent lobbying with policy-makers

We continue to have positive and constructive engagement with policy-makers on key issues of importance to our business and customers. This helps the policy-making process and contributes to the making of informed decisions which assist wider society.

Our public affairs work involves trade bodies such as the Association of British Insurers (ABI) and Confederation of British Industry (CBI). During 2006, we have started expanding our direct activity on public affairs in Scandinavia and the Baltics.

This year, we have been particularly active in the environmental field with our work on flooding and climate change, as well as our work supporting the financial inclusion agenda.

Our financial performance in 2006

In 2006, the Group achieved a strong financial performance. Full details are contained in the Annual report. Below we have set out our financials informed by the Global Reporting Initiative (GRI).

	2006 £'m	Restated 2005 £'m
Creation of Value		
Net earned premiums	5,292	5,239
Net investment return	600	668
Other operating income	121	99
Net claims and benefits	(3,453)	(3,389)
Underwriting, policy acquisition and other costs ¹	(1,082)	(872)
Additional gains, losses and other movements	(505)	(114)
	973	1,631
Distribution of Wealth		
Employees	653	687
Corporate and social responsibility	2	2
Government (taxes and social security)	239	305
Servicing of finance	92	107
Shareholders (dividend and minority interest) ²	112	165
Retained for investment	(125)	365
	973	1,631
Opening shareholders' funds	2,686	2,321
Retained (above)	(125)	365
Closing shareholders' funds	2,561	2,686

¹ Increase is mainly due to one-off benefits of the pension scheme change of £180m in 2005

² Decrease is largely due to increase in shareholders taking scrip dividends.



In 2006, MORE TH>N launched 'DriveTime', a telematics product aimed at reducing young driver accidents. An in-car telematics system monitors when a car is driven, rewarding drivers aged between 18-25 with reduced insurance premiums if they don't drive their cars between 11.00pm and 6.00am, the time when 40% of accidents result in death or serious injury.

Workplace

Over the last few years we have been building a high performance culture across the business, focusing on making R&SA a great place to work.

Integral to delivering strong financial performance is employing the best people. This means attracting, developing and rewarding top talent, as well as giving people responsibility and accountability for their actions. During the year we have been focused on:

- Training and development;
- Reward and recognition; and
- Listening to, and acting on feedback from our employees.

We've also continued to consult on effectively managing employee representation and embedding an ethical, diverse and safe workplace.

Training and development

In 2006, we evolved our training and development programmes across the Group as part of our wider approach of ensuring employees reach their full potential. For example:

- Employees have personal plans for continuing development both professionally and personally;
- We launched our Technical Academy to ensure we remain at the forefront of technical mastery in underwriting, actuarial and claims, and to provide clear career pathways for our technical experts;
- Our Executive Development Programme, aimed at developing senior managers, is now in its third year. It has been highly successful and 70% of graduates from the first two programmes are now in roles of greater responsibility; and

- We launched "FastTrack", an accelerated scheme for high potential graduates. The programme runs over two years and involves a six month international assignment and development plan to fast track individuals to more senior roles. We had 2000 applicants and 16 have been selected to participate in the first intake.

Reward and Recognition

In order to attract and retain the best people, we promote a culture where employees take responsibility for their actions and high performance is rewarded. We have made significant progress in this area; in 2003 only 15% of employees had pay linked to performance. We set a target to raise this rate to 90% by 2006, which we achieved ahead of schedule.

Rewarding employees is not just about financial rewards, but also recognition. We have continued to promote regional and Group-wide initiatives to recognise excellence.

- In the UK, we launched an online recognition shop, allowing managers to select a variety of rewards for team members who delivered above expectations on a particular project.
- Across the Group, the Platinum awards recognise the outstanding achievements of individuals going beyond the normal boundaries of their job and excelling in their roles.



Our Technical Academy launched in October 2006, to bring together technical experts from across the Group in Underwriting, Actuarial and Claims, to promote and develop, strong, sustainable technical leadership for current and future generations.

Listening to our employees and acting on feedback

Our goal is to make feedback easy for employees, so apart from more traditional routes through line management, we also have blogs, intranet discussion forums and mail-in databases.

Part of our culture is about listening and engaging with employees. We have a variety of programmes in place to get feedback from everyone across the Group and key to this is ensuring that we make improvements across the board. We have a number of mechanisms to collate this feedback, including two annual Global Surveys: The Employee Survey and The Performance Management Survey. The results of these surveys are used to generate recommendations and make changes within the business.

In addition to the surveys and the informal feedback channels, a number of regional and Group conferences are held such as Sales Effectiveness and Leaders Conferences.

• Global Employee Survey

The web-based Global Employee Survey is run on an annual basis, both to collect employees' views of what it is like working for R&SA, and to build clear action plans to address issues raised.

The survey is run in partnership with the Hay Group to ensure confidentiality and anonymity. Hay also provide two valuable external benchmarks: High Performing Companies and a database of other companies' results.

In 2006, the percentage of employees taking part remained strong at over 90%. Overall satisfaction and engagement improved by 3% in 2006 and all categories improved on 2005.

2006 Global Employee Survey Results:

1. Overall satisfaction and engagement	+3%
2. Delivering business results	+3%
3. Delivering for customers	+2%
4. Leaders who motivate	+2%
5. Driving performance through teamwork	+2%
6. Clear communication	+3%
7. Identifying and rewarding superior performance	+3%
8. Employer of choice	+2%
9. Survey process	+2%

Our focus continues to be on action, and every manager receiving a report is expected to share survey results with their team, explore issues and concerns, and then make recommendations to address concerns.

In 2005, we defined three key areas for improvement:

- Rate the overall standard of internal communication in the country/business you work: 2006 survey result up 2%.
- Rate the extent to which you are kept informed about matters that affect you and your job: 2006 survey result up 4%.
- Rate the extent to which you receive recognition when you do a good job: 2006 survey result up 4%.

We recognise we still have more work to do to meet our internal communications goal and we have kept this as a priority for 2007, along with receiving recognition when doing a good job.

In addition, we have added another area for improvement:

- Whether employees would recommend the company's products and services to friends and family.

2006 Global Employee Survey Results



¹ Source: Hays Group

• Performance Management Survey

The Performance Management Survey provides the opportunity for employees to express their views on their experience of performance management. It is an important measure of leadership effectiveness and culture in R&SA.

There were a number of significant improvements from 2005 including:

- Increasing the number of employees with measurable personal goals and objectives: 2006 survey result up 5%;
- Frequency of one-on-one meetings with line managers: 2006 survey result up 7%;
- Positive responses from employees on feedback structure: 2006 survey result up 5%;
- Employees having development plans and access to coaching: 2006 survey result up 9%; and
- Discussions within the team on long-term career development: 2006 survey result up 5%.

Consultative Forum and Employee Representation

We ensure a regular and constructive dialogue with independent trade unions on business issues where they are recognised as a major stakeholder, and consult with them early on changes affecting the workforce. In 2006, we held the European Consultative Forum which brought together employee representatives from workforces in Europe. Union representatives are able to discuss any issues of importance to employees in their countries.

In the UK and Ireland, Amicus is formally recognised through a partnership agreement that covers collective consultation and bargaining on behalf of non-management employees. Management employees in the UK are represented under a separate agreement with The Management Association.

When headcount reductions are necessary, we look to use voluntary redundancy and natural attrition as much as possible. Whenever compulsory redundancies are necessary, we consult with unions in advance and continue to work closely with them as we manage the process. Every effort is made to find suitable redeployment opportunities within R&SA and additional support and coaching is offered to those applying for work externally.

Ethics, Diversity & Human Rights

R&SA is a global business with a multinational workforce of over 23,000 people. We place great value on the diversity of the backgrounds of our employees and the benefits this brings to our business.

Our approach and policies to both diversity and human rights incorporate international labour standards and legislation. We are in the process of signing up to the United Nations Global Compact to extend our international involvement with their ten core principles, which include labour standards, anti-corruption and human rights.

Additionally, as an investor and through our supply chain we have policies in place to maintain best practice. We aim to promote equal opportunities, diversity and human rights in these areas as we have the choice to select investments and business partners that fit with our own policies and standards.

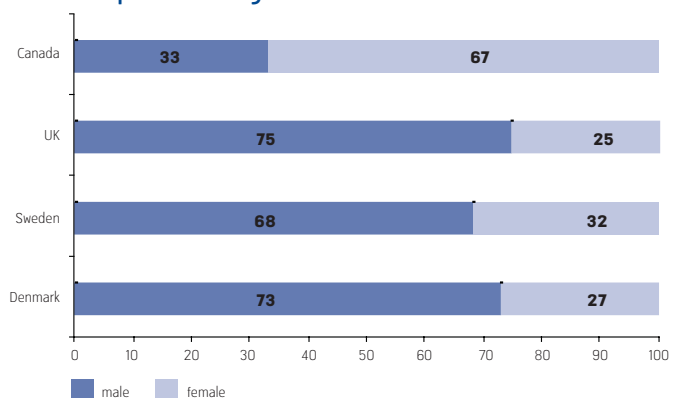
We are committed to promoting diversity and equal opportunities within the Group. We also continue to implement a series of working practices. During the year:

- Our UK business signed up to the Amicus Equality for Women Workers charter – a statement on the importance R&SA places on ensuring equality and diversity within the workforce.
- In Scandinavia, an internal conference was held to discuss how to retain and attract the best female management. The conference looked at flexible working practices, as well as implementing a mentoring system and network of female managers.

We also operate strict guidelines on the conduct of the business, financial crime and how employees individually act. All employees are required to commit to these guidelines. Where business behaviour is not in accordance with our guidelines, we encourage employees to alert us.

We have a confidential, anonymous, whistle-blowing hotline available 24 hours a day for employees to raise any concerns about wrongdoings. In addition, R&SA has confidential grievance procedures for employees to raise any concerns they may have.

Gender split of management %



Health and Safety performance

We are committed to ensuring health and safety measures are implemented across the Group and that R&SA is a safe and healthy place to work. We comply with health and safety legislation and best practices and have reporting mechanisms in place for people to identify any potential risks. We also provide a structure to deal with any complaints.

	UK						
	2006	2005	2004	2003	2002	2001	2000
Days lost per employee	12.1	10.9	12.2	7.9	11.1	10.2	11.1
Reportable injuries	70	103	63	95	110	83	90
Minor non-reportable injuries	329	433	399	506	681	694	629
Accidents per 1,000 employees	45.33	50.5	45.1	50	41.3	37.4	35.6

	Denmark				Sweden			
	2006	2005	2004	2003	2006	2005	2004	2003
Days lost per employee	7.8	7.8	7.9	-	10.5	9.6	10.3	-
Reportable (serious) injuries	5	9	1	1	6	2	0	0
Non-reportable (minor) injuries	3	5	10	14	4	3	3	6
Accident rate (i.e. per 1000 employees)	8	9.4	6.2	7.5	10	2.7	1.6	3.6

	Canada (Excluding Johnson Corporation)				Ireland			
	2006	2005	2004	2003	2006	2005	2004	2003
Days lost per employee	11.7	12.4	9.6	-	10.4	11.3	10.5	-
Reportable (serious) injuries	0	0	0	0	0	0	0	-
Non-reportable (minor) injuries	2	0	1	1	2	4	3	-
Accident rate (i.e. per 1000 employees)	4.2	0	0.5	0.5	4	6.8	4.8	-

² H&S data is not directly comparable across the regions due to differences in regulatory regimes as the definition of reportable and non-reportable injuries may differ between countries



Making R&SA a "Great Place to Work" (GPTW)

Since 2005, we have been rolling out a program called GPTW focusing on call centres in the UK. The programme aims to promote the benefits of satisfied employees and recognises that this leads to improvement in absenteeism, greater loyalty and productivity. It also provides additional benefits including a better customer experience and enhances our ability to attract new employees. The objective of the programme is to make it work at grass-roots levels, with the decisions on what is needed to improve the work environment coming direct from the employees.

Detailed surveys and engagement forums found five key points which GPTW had to address: base pay / bonus, recognition, work challenge and development, flexible working environment and working environment. We have worked hard to address these areas and will continue to do so. As a result of the actions we've taken we've reduced attrition rates by over 20%. Employee feedback has been excellent, and ratings in the Employee Survey have been increasing.

Community

Our Community engagement programmes are an important part of our interaction with the communities in which we operate and we actively encourage our employees to get involved.

While each region focuses on issues that matter locally, there are some common themes across the Group, such as road safety, social exclusion and the environment.

Our community programmes encourages employee participation through payroll giving, volunteering, donations and suggestions. We have networks of local committees as well as specialists to coordinate responses to requests for support and to promote community initiatives.

Total community investment was up 34% to over £2 million in 2006. While the bulk of this support is through financial donations, in 2007 we expect to report on employee donated time across the majority of our businesses.

Our work in the community has been recognised by the BITC Community Index in which we achieved a silver rating of 87.7%.

Road Safety

As a leading motor insurer, we are committed to improving road safety awareness. Our approach differs in each part of the Group to suit local situations, but the cause remains the same.

- In Chile, we launched a road safety education programme called *Atentos y Seguros con R&SA* (Be Aware and be Safe, with R&SA) focusing on reducing the large numbers of children's deaths in road-related incidents. The scheme is delivered by primary education teachers, and is supported by R&SA employees, to teach children about road traffic regulations and how to avoid traffic accidents.

Children learn road safety through playing, competitions and an online virtual club, which reinforces the traffic safety concepts. The scheme has already reached 15,000 children with a further 45,000 to take part in 2007.

- In Denmark our focus on road safety has been on commercial haulage firms, following research that showed that a large number of accidents involved truck drivers.

In association with the Danish Transport Logistics Association, we created an education and training programme for drivers. The results have shown a positive impact on reducing the number of these types of accidents.

- In Sweden, we have continued to focus on the safety of children. We supplied 48,000 reflectors and 250,000 high visibility vests to ensure children are as visible as possible to drivers.



Road Safety in Chile

Her Royal Highness Princess Anne visiting the Poeta Eusebio Lillo school in the Conchalí district (Santiago, Chile) in 2006. Our road safety education programme reached 15,000 students this year and we intend to extend this to 45,000 in 2007.

- In the UK, we have continued to work with the road safety charity, BRAKE, as well as carrying out research on the effects of driving under the influence of drugs. We have also been active through the release of our innovative DriveTime product, aimed at reducing accidents among young drivers.
- In Dubai, we have commissioned research relating to accidents and the number of fatalities across the UAE. We have partnered with the International Association of Human Value (IAHV) on a road safety programme.
- We have also continued to support SMARTRISK in Canada, an organisation dedicated to preventing injuries and saving lives. We have continued to fund SMARTRISK Heroes, a digital / video based injury prevention educational roadshow designed for young people between the ages of 12 and 18.
- In Lithuania, we have been campaigning to raise awareness of safer driving in winter conditions. Road safety for children is also a major concern and employees get involved to promote road safety through our 'Secure Me' programme where they volunteer to handout leaflets to children on their way to school.

Social Exclusion

Our response to social exclusion of vulnerable groups in society varies depending on the needs in each of the regions which we operate in:

- In the UK, for over 15 years, we have been providing insurance to tenants in Social Housing, some of whom are among the most financially excluded groups in the UK. As part of our strategy to address this issue, Bridget McIntyre, our UK CEO, has joined the Government Taskforce on Social Inclusion.
- In the UK, we also continued with our programme with the Samaritans focusing on the emotional health and wellbeing of young adults and children. The initiative we fund has won the Gold E-learning award from the International Visual Communication Association.

- In India, we continue to provide insurance to groups living below the poverty line in rural areas. We are working in association with NGO's for women and tribal elders to provide insurance products to these disadvantaged groups.
- In Canada, we continue to support the United Way, whose mission is "to improve the lives and build community by engaging individuals and mobilising collective action". The United Way is the primary non-governmental source of funding for social services, supporting a network of agencies across the region. In 2006, around 1,300 of our employees got involved in the annual campaign.

Environmental

Environmental issues have been rising up the public agenda in 2006 and we have continued to actively manage our own impact and aim to influence others to do the same.

We have also expanded our community based environmental work. In the UK, we work with 'Trees for Cities'. Our partnership involves removing trees to protect properties from subsidence and then planting new trees to improve the aesthetics of urban locations. We also sponsored the Tree-athlon 5km run in London for the second year running. Twenty eight runners from R&SA joined in on the day which was in aid of urban tree planting.

For more information on our environmental work across the Group, see the Environment section.

Other Activities

While not all our community activities fall under the same shared themes, we are highly active in all the regions we operate through donations, volunteering, payroll giving and gifts in kind.



R&SA volunteers working with Trees for Cities at a housing estate in South London. The UK partnership is aimed at improving urban locations as places to live as well as increasing the number of trees in cities.

Sweden & Denmark

In Sweden, in addition to issuing 250,000 high visibility vests for children, we have been concerned about people's safety around water for over fifty years. Each year we replace a minimum of 5,000 life preservers located along the coast which save an average of 10 to 12 people a year and in total we have now donated over 85,000 life preservers. We also sponsor the Swedish LifeRescue association which encourages all children from the ages of 7 to 10 to learn to swim.

Based on the success of these programmes, we have started to roll out similar initiatives in Denmark.

In Denmark, we are also working in partnership with the Danish Heart Association. In 2006, we donated over £100,000 and our work provides for five mobile heart units. The units provide blood sugar, cholesterol and blood pressure tests for the public. We have also continued to support the Danish Age Association and its work on Alzheimers.

Ireland

In Ireland, we have continued to fund local charities of employee choice, the Dublin Simon Community, a homeless charity, and the Irish Hospice Foundation. Support is in the form of financial donations, direct employee volunteering, payroll donations and matched funding by the company.

We are also sponsors of the GAISCE President's Award through the Charter for Business programme. The awards are given to young people between the ages of 15 and 25 to promote positive self-development and encourage a more inclusive society.

Italy

In Italy, a real focus has been directed towards helping Haiti recover from devastating hurricanes and civil war. R&SA Assicurazioni is funding the building and running of a new school. The project includes the construction of five classrooms, able to accommodate 250 children between 6 and 13 years old.

Canada

Johnson, our direct personal lines business in Canada, has chosen to focus on education through their scholarship programme. Each year we sponsor around 100 scholarships which are granted to teenagers who need funding to further their higher education.

Latvia

Five hundred employees were involved in "Balta Days of Compassion", a volunteering activity challenge. Employees volunteer to support a range of causes such as children's homes, old people's homes and crisis centres. In addition, a long-term partnership with the Latvian blood donor centre has been established with on-site visits to our head office in Riga.

Hong Kong

In Hong Kong, we support the Society for the Prevention of Cruelty against Animals (SPCA), primarily through our PetGuard product.

We have been awarded the Caring Company award by the Hong Kong Council of Social Services ('HKCSS') for the fifth year running. The Caring Company scheme was launched by the HKCSS to recognise organisations demonstrating good corporate citizenship. We have been particularly active in blood donations, charitable fund raising, and a number of recycling initiatives.



"Secure Me"

Our new road safety programme in Lithuania coincided with the start of the new school year to raise awareness of both drivers and school children. R&SA employees got involved by patrolling the streets near road crossings helping children reach school safely.

Latin America

Child welfare is a common cause across our Latin American markets. Brazil, Mexico and Venezuela have all continued to support local orphanages through financial donations and gifts in kind from employees of winter clothes, blankets, medicines and toys. Wider programmes supporting children's health are also active in Colombia, Mexico, Netherlands Antilles, Argentina and Uruguay.

UK

In the UK, alongside the focus of road safety, social exclusion and the environment, we also support a variety of local initiatives via our charity committees with a particular focus on health and education.

We continue to partner Career Academy Foundation, a charity dedicated to helping teenagers achieve a career in business. Students apply to join the scheme which focuses on teenagers from:

- A below average academic foundation;
- A fragmented, disappointing or non-traditional educational experience;
- A background which is underrepresented in further/higher education; and
- With a lack of confidence or self esteem in the academic world.

The scheme takes place over 18 months with 15 R&SA employees acting as mentors in London, Manchester, Croydon and Chelmsford. R&SA take interns each year as well as providing guidance on key business issues and career advice.



In 2006, we distributed 250,000 new reflector vests to children through Swedish day-care centres.

The reflective vests are part of our long standing commitment to children's safety.

Environment

Our progress in tackling environmental issues and climate change has been recognised by BiTC during 2006, and we have set new challenging goals to be achieved by the end of 2007.

We take action on emerging environmental issues through a wide variety of initiatives as part of our long term strategy, which takes into account our impacts both as a business and the products we offer as an insurer.

During 2006 we have been:

- Managing and reducing our own environmental impacts;
- Engaging with stakeholders to contribute to new policy and debate; and
- Helping customers to minimise their environmental impacts.

Group Targets

In 2006, we renewed our commitment to continuous environmental improvement by setting challenging targets for the Group to achieve by the end of 2007.

These targets were reviewed and signed off by all regional CEOs, and as well as resulting in a positive effect on the environment, will deliver cost savings to the business. Progress will be monitored internally with updates reported annually.

Carbon Neutrality

Going 'Carbon Neutral' in the UK is part of our ongoing programme for reducing our environmental impacts. In the UK, we have reduced our carbon footprint by around 50% since 2000 by working with the Carbon Trust to identify savings and using 'green' sourced electricity supplies for our offices.

We became the first insurer in the UK to achieve Carbon Neutral status on the 4th December 2006, meaning that all carbon dioxide emissions from energy and travel are offset against renewable energy projects including:

- Wind farming in India and New Zealand (WWF approved Gold Standard offsets);
- Solar lighting in rural India – providing a micro-enterprise initiative for rural Indian villages; and
- Methane capture in Germany – delivering robust scientific measurement of capture of CO₂.

We only use carbon offsetting where we have a history of strong energy and emissions management with binding targets for improvement. Carbon offsetting is part of our wider emissions management strategy and is never used as the first step in tackling emissions.

We ensure that rigorous scientific standards are applied to offsetting and that emissions are measured and verified. For this reason, forestry offsets were avoided and Gold Standard voluntary offsets (approved by WWF) were obtained, with the remainder sourced from verifiable renewable energy projects.



Solar Lighting Offset Project in India

Dr. Sally Uren, Director of Forum for the Future's Business Programme, made the following comment on our UK Carbon Neutrality: "R&SA has been a Forum for the Future business partner for over seven years. We view the announcement of their carbon neutrality as a hugely positive step, particularly as the business has, and is set to continue, to make substantial reductions in its carbon footprint. We look forward to seeing R&SA continue to educate its customers on reducing their carbon footprints, and develop a wider range of products which promote low carbon living."

All targets to be achieved by end of 2007 are based on the levels set out in the 2005 Corporate Responsibility Report. All energy targets are electricity unless otherwise specified. All targets are reductions, except recycling which is an increase in the rates.

- Water usage has decreased in absolute terms from 307,517 to 261,884 m³, notwithstanding the inclusion of our new reporters. Mexico and Johnson have reported for the first time in 2006.

Our Buildings

A large part of our environmental impact is from the premises we occupy. We incorporate leading edge environmental construction and design when procuring or refurbishing our buildings.

In Canada, we successfully completed our move to a new regional centre in Nova Scotia. The centre is in the process of achieving LEED (Leadership in Energy and Environmental Design) certification to highlight the quality of construction. The building incorporates a range of environmental features such as:

- 37% greater energy efficiency than the national benchmark;
- CO₂ sensors to detect levels and where fresh air is needed;
- Landscaping with drought resistant plants to reduce the need for irrigation;
- 25% of the building materials were made from recycled content; and
- 20% of the materials were sourced locally.

Our Irish business is also in the process of designing a new headquarters which will incorporate best practice from the BREEAM specification (Building Research Establishment Environmental Assessment Method). BREEAM is an assessment method for determining how environmentally friendly an office is. We are aiming to achieve a 'Very Good' rating, the same rating that our Group Corporate Centre in the UK achieved.

Business Travel

Travel is one of our major environmental impacts as a business. We monitor all forms of business travel with the aim of reducing the need for travel and where possible selecting the environmentally preferable option. We also actively encourage the use of video/audio conferencing facilities in our premises.

Our company fleet of vehicles and their environmental impact is a key focus area, and in 2006 we released a number of guidelines to employees on 'eco-friendly' driving around the Group. In the UK we have offered this advice to customers at: www.wedomore.co.uk/Top-Tips.

Indirect Impacts

We are committed to reducing our indirect environmental impacts. The two main areas where we have influence are through our investments and supply chain. Please see the Marketplace for more details.

Engaging with environmental stakeholders

We are involved in many collaborative projects on climate change such as the FORGE Group, a partnership across the financial services sector which combines skills to further environmental and corporate responsibility management. The latest FORGE project, started in 2006, is focused on climate change and how the financial services industry can work together to find ways to tackle it.



Canadian Green Office

Our new office in Nova Scotia built to leading edge environmental standards. The design also took into account the impact of employees' journey to work, with a metro stop moved closer to the premises and improved facilities for cyclists.

We have also continued to participate in the Carbon Disclosure Project (CDP4), encouraging the disclosure of greenhouse gas emissions by companies.

In addition during the year, we have engaged with Government on key environmental issues:

- We have responded to two UK Government consultations on climate change; voluntary offsetting standards, and a proposed emissions trading scheme for service sector organisations. We are fully supportive of any scheme which will help drive down emissions and of greater transparency in the offset market; and
- We have actively engaged with the UK Government on the issue of flood defence spending. Following on from a major piece of research we commissioned in 2005, we used the results to demonstrate potential effects of flooding during an event at the House of Commons, to raise awareness of the issue with MPs.

Helping customers reduce their environmental impact

We have developed a range of new products for both personal and commercial customers to help them make choices to minimise their impact on the environment, including our hybrid car discounts and commercial renewable energy insurance.

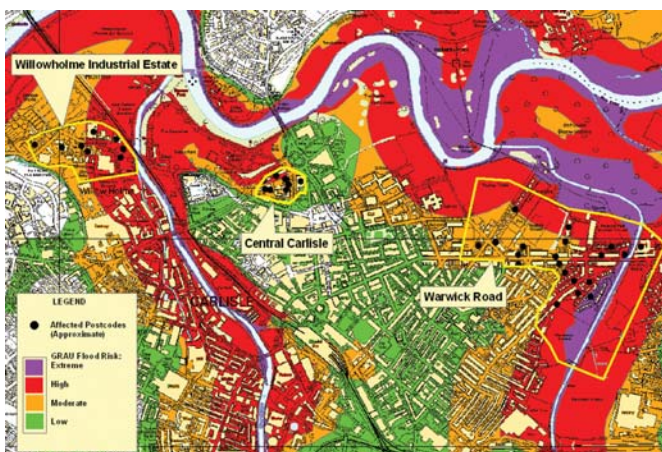
Developing technology for customers

As part of our wider responsibility for the environment, we have invested in technology to help our customers prepare for weather related-events and to help us react and be fully prepared when major weather related disasters occur.

Our Geographical Risk Assessment tool is able to provide a detailed understanding of flood risk and subsidence, down to the individual postcode in the UK. The tool won an award in 2006 at the British Computer Society Information Management Awards and the Geographical Risk Analysis Unit received the award for runners up in the Dynamic Risk Assessment category.

We have also continued to invest in the development of two weather forecasting tools:

- Tropical Storm Risk (TSR) (<http://tsr.mssl.ucl.ac.uk/>) which predicts tropical storm activity worldwide; and
- Eurotempest (<http://et.mssl.ucl.ac.uk/>) which forecasts damage from windstorms down to postcode level in seven European countries. These tools help us provide preventative advice to customers up to five days in advance of extreme wind conditions.



Our GRA tool helps us better to understand the risks faced by our customers. This map shows the potential affects of flooding in Carlisle, a high-risk area.

Targets & Objectives

	2006 Targets and Objectives	Progress	2007 Targets and Objectives
General	1. Continue to embed Business Principles across the Group	<p>Commitment to Community & Environment has been strengthened in line with environmental targets.</p> <p>Business principles translated into Arabic, Portuguese and Spanish.</p>	<p>ONGOING</p> <p>Translate into further local languages</p> <p>Sign up to UN Global Compact</p>
Marketplace	<p>1. Maintain high levels of service in relation to claims and complaints handling</p> <p>2. Continue to engage in the wider debate on the future of flood risk in the UK</p> <p>3. Look to identify further opportunities for innovative products that provide added corporate responsibility benefits</p>	<p>Ongoing programme (See Marketplace)</p> <p>Awareness raising event at House of Commons (See Environment)</p> <p>Wide range of products introduced during 2006 (See Marketplace)</p>	<p>ONGOING</p> <p>ONGOING</p> <p>ONGOING</p>
Workplace	<p>1. Continue to align reward with personal performance to reach target of 90% by end of 2006</p> <p>2. Improve survey result on: - Rate the extent to which you are kept informed about matters that affect you and your job - Rate the extent to which you receive recognition when you do a good job</p> <p>3. Rollout of Fast Track, EDP and Coaching Skills</p> <p>4. Continue to embed strong performance management practices across the Group</p>	<p>Achieved 90%</p> <p>Achieved (Up 4%)</p> <p>Achieved (Up 4%)</p> <p>All continued (See workplace)</p> <p>Continued (See workplace)</p>	<p>Review responsible procurement practices Maintain 90%</p> <p>Improve survey result on: - Rate the extent to which you receive recognition when you do a good job - Would you recommend the company's products and services to friends and families - Rate the overall standard of internal communication in the country or business where you work</p> <p>ONGOING</p> <p>Improve survey result on: - Ensuring employees are comfortable with the quality and volume of their goals, - Making time for consistent one-to-one's, - More coaching, - Broadening the scope of 360 degree feedback and appraisals.</p>

	2006 Targets and Objectives	Progress	2007 Targets and Objectives
Community	<ol style="list-style-type: none"> 1. Review community engagement programmes in UK and Scandinavia to achieve greater alignment between commercial operations and community support. 2. Encourage greater employee engagement. 	<p>UK programme reviewed in conjunction with local charity committees. Scandinavia review started in Q4 2006.</p> <p>Employee engagement forums established</p>	<p>Rollout of national volunteering week in UK.</p> <p>Formalise community strategy in 2007</p> <p>Report group wide volunteering data for 2007</p>
Environment	<ol style="list-style-type: none"> 1. Reinforce our environmental commitment by strengthening environmental management processes across the Group. 2. Group wide environmental reporting to be made on key operational impacts 	<p>New environmental targets signed off by regional CEO's.</p> <p>Scope of reporting has increased to include Johnson, Canada and Mexico</p> <p>UK environmental progress based on 2000-01 baseline:</p> <ul style="list-style-type: none"> • 45% reduction in building related CO₂e emissions (electricity and gas) • 47% reduction in travel related CO₂e emissions (air, road and rail) • 51.7% reduction in water consumption • 55.8% reduction in waste to landfill • Approximately 81% of sites source electricity via renewable tariffs 	<p>See targets below.</p> <p>Continue to expand scope and quality of environmental reporting.</p> <p>Energy (Reduction) UK 5% Denmark 10% Sweden 6% Ireland 5% Lithuania 5% Denmark (Steam) 10% Sweden (Steam) 5%</p> <p>CO₂ (Reduction) Canada 5% Ireland 10% UK (Travel) 10%</p> <p>Water (Reduction) UK 10% Lithuania 5%</p> <p>Waste (Reduction) UK 10% Denmark 10%</p> <p>Recycling (Increase) Canada 10% Hong Kong 20%</p>

Assurance



THE SMART COMPANY

The SMART Company was commissioned by Royal & SunAlliance to undertake an independent review of their Corporate Responsibility Report 2006, covering January to December 2006.

The scope of the verification was confined to the environmental, H&S and community aspects of the report. The purpose of the process was to assess whether Royal & SunAlliance's Corporate Responsibility Report 2006 gives a fair and reasonable representation of performance for the year in these areas.

The assurance was informed by the principles of the Assurance Standard AA1000: materiality, completeness and responsiveness. The following tasks were performed:

- Review of base and aggregated data
- Review of data trends and investigation into any large/unusual movements
- Review of carbon emission calculations
- Review assumptions made and conversion factors used
- Review of report's text to ensure it is consistent with the data
- Interview with person responsible for compiling the report.

Commentary and recommendations

We were pleased to see that some of the prior year assurance recommendations have been put into action, namely:

- Scope of reporting has expanded (to include Mexico, Brazil and Johnson Corporation in Canada; there is also more diversity data)
- Continuing efforts by Group to standardise processes used amongst the different geographical locations for recording and reporting environmental and H&S data
- Introduction of internal bi-annual reporting in order to assess progress against targets.

We were also pleased to learn that CR has been integrated into the goals and objectives of Directors, and hence cascaded down into their colleagues' job descriptions – this is a positive step towards embedding CR throughout the company. We also understand that R&SA are considering becoming a signatory to the UN Global Compact – this is to be encouraged. Improvements have also been made in terms of collecting community investment related data.

The following are some key recommendations towards further improving the CR programme, reporting and assurance at R&SA (these have been communicated to Royal & SunAlliance's senior management in more detail, along with other recommendations, in a separate management report):

Materiality

- Ensure that Group targets are all time-limited and quantified.

Completeness

- Continue to expand reporting until all global operations are covered.
- Consider broadening the remit of the CR assurance process in future, to include internal and external stakeholder interviews, and a broader data set.

Responsiveness

- Conduct a stakeholder mapping exercise, and based on its results, design and implement a structured external stakeholder engagement programme focusing on identified key stakeholders.
- Continue to consider the most appropriate way to communicate with different key stakeholders on CR issues.

Conclusion

A few minor inaccuracies were found when reviewing the data, but these were corrected and the revisions incorporated in the published report. We challenged Royal & SunAlliance on some of the calculation/estimation methods used, and were satisfied that the data in the published report uses the best possible current methods. We are therefore satisfied that this report is a fair and reasonable reflection of the environmental, H&S and community investment performance of the company.

The SMART Company

London, May 2007

(information on our competencies, independence and impartiality, is available on our website:

www.thesmartcompany.net)

Environmental Data Tables

Group Carbon Dioxide Equivalent Emissions

a) Regional Summary

Carbon Dioxide Equivalent Emissions ³	Country	2006	2005	2004	2003	2002
Total Tonnes	UK	34465	41359	40534	47301	55652
	Denmark	3189	3486	2782	2694	
	Latvia	861	605			
	Lithuania	1304	1533			
	Sweden	2665	2389	2227		
	Canada	4606	4561	4822 ⁴	2066	
	Ireland	1787	1617	2037		
	Mexico	647				
	Brazil	366				
	TOTAL	49889	55550	52402	52061	55652

	Country	2006	2005	2004	2003	2002
Per Capita Kg/Emp	UK	3833	4051	3646	3381	2870
	Denmark	2347	2341	1557	1348	
	Latvia	1353	469			
	Lithuania	864	1015			
	Sweden	1434	1289	1205		
	Canada	4161	2798	2007 ⁴	2066	
	Ireland	3544	2727	3280		
	Mexico	2014				
	Brazil	1270				

³Carbon dioxide equivalents have been calculated for 2006 using the World Resources Institute and World Business Council for Sustainable Development's Greenhouse Gas Protocol for Service Sector Organisations and Office Based Companies

⁴Flight data for Canada corrected in 2005

b) Regional Breakdown (tonnes)

CO ₂ Total Impact Breakdown	Country	2006	2005	2004	2003	2002
Electricity	UK	21737	26619	26802	32336	36946
	Denmark	1094	1261	604	421	
	Latvia	146	89			
	Lithuania	465	772			
	Sweden	708	838	701		
	Canada	2260	2107	1945	1730	
	Ireland	1252	1098	1352		
	Mexico	618				
Gas⁵	UK	5059	5365	5731	6480	8372
	Latvia	78	9			
	Lithuania	49	5			
	Sweden	2	2	2		
	Canada	308	208	322	336	
	Ireland	95	104	156		
	Mexico	0				
Road	UK	5206	5801	5303	6288	8629
	Denmark	1375	1574	1779	1995	
	Latvia	590	471			
	Lithuania	766	737			
	Sweden	898	869	874		
	Canada	1019	1129	1187		
	Ireland	375	363	381		
	Mexico	29				
	Brazil	145				
Air Short Haul⁶	UK	700	2053	1065	901	829
	Denmark	100	33	30	16	
	Latvia					
	Lithuania					
	Sweden	433	423	335		
	Canada	23.81	143	113		
	Ireland	56.55	33	133		
Air Long Haul⁶	UK	1197	1005	883	796	391
	Denmark	600	603	353	248	
	Latvia	47	36			
	Lithuania	24	19			
	Sweden	532	205	250		
	Canada	993	973	1254		
	Ireland	7	18	14		
	Brazil	169				
Rail	UK	566	516	750	500	485
	Denmark	21	15	16	14	
	Latvia					
	Lithuania					
	Sweden	92	52	65		
	Canada	3	1	1		
	Ireland	1	1	1		

In addition, 2 offices were also supplied with steam. Our head office in Canada used 3,906,107 lbs and our head office in Denmark used 1,650,000 lbs.

⁵Gas figures have been restated for Latvia and Lithuania based on improved measurement techniques

⁶UK short and long haul flights were restated in 2005, with improved measurement of short / long haul definitions in 2006 (in line with GHG Protocol)

Environmental Data Trends 2000-2006¹⁰

Performance indicator		Country		2006		2005		2004		2003		2002 ¹¹	
		Abs	Norm	Abs	Norm	Abs	Norm	Abs	Norm	Abs	Norm		
Electricity (Abs: MWh) ⁹ (Norm: kWh/emp) ¹⁰	UK	46547 1		56285	5,879	58977	5,305	68560	4901	77455	3995		
	Denmark	3550	2959	3540	3441	1817	2423	1262	1778	1316	2392		
	Latvia	873	2909	740									
	Lithuania	4187	2771	4269	2827								
	Sweden	13888	9018	14278	10498	16500	8929	-	-	-	-		
	Canada	10816	9652	9426	8454	9225	6589	7769	7769	8206	8271		
	Ireland	2185	4393	1853	3125	2098	3497	-	-	-	-		
	Mexico	1184	3687										
	Brazil	608	2112										
Gas (Abs: MWh) (Norm: kWh/emp)	UK	26626	2961	28238	2766	31222	2809	34105	2438	41444	2138		
	Latvia	422	15543	46									
	Lithuania	263	1927	27	18								
	Sweden	9	12	8	11	9	11	-	-	-	-		
	Canada	1698	3535	1030	924	1595	1139	1664	1664	1400	1407		
	Ireland	468	941	513	865	773	1288	-	-	-	-		
	Mexico	0	0										
Water (Abs: m ³) (Norm: litr/emp) ¹⁰	UK	143039	15908	136373	13358	132096	11883	139700	9990	213000	12400		
	Denmark	7963	6636	8180	7950	7126	9501	6681	9410	7054	12800		
	Latvia	2069	6897	883									
	Lithuania	10094	6680	12146	8044								
	Sweden	16000	20000	16000	21025	25281	31211	-	-	-	-		
	Canada	43453	38776	40359	36196	40749	29106	61125	61125	50900	51300		
	Ireland	34000	68365	34000	57336	34000	56667	-	-	-	-		
	Mexico	5266	16405										
Total Waste (Abs: t) (Norm: kg/emp) ¹⁰	UK	3719	414	3667	359	5436	489	5513	394	7790	402		
	Denmark	174	145	186	180	141	188	107	151	115	209		
	Latvia	36	120	36									
	Lithuania	148	98	315	209								
	Sweden	203	253	139	182	259	320	-	-	-	-		
	Canada	231	206	210	188	216	154	167	167	178	180		
	Ireland	219	440	145	245	182	303	-	-	-	-		
	Mexico	180	561										
	Brazil	20	70										
Paper (Abs: t) (Norm: kg/emp)	UK	1267	37	409	40	561	50	471	34	717	37		
	Denmark	62	42	74	50	85	48	86	43	91	46		
	Latvia	32	31	30	23								
	Lithuania	27	18	27	18								
	Sweden	173	86	237	128	67	36	-	-	-	-		
	Canada	160	118	192	118	308	128	-	-	-	-		
	Ireland	24	48	26	43	28	46	-	-	-	-		
	Mexico	19	60										
	Brazil	7	23										

⁷ Figures 0.5 and greater rounded up to nearest whole unit

⁸ Reporting periods January to December data for March 2001 - 1 and 2001 - 2 (April to March) can be found in earlier reports at www.royalsun.com

⁹ Electricity in the UK is supplied from Green Tariffs but not taken into account reporting CO₂ emissions.

¹⁰ All conversion factors found at www.onlineconversion.com

Contact us

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